



AGENDA

BOARD OF TRUSTEES MEETING

Thursday, November 10, 2005, 7:00 p.m.
Painted Pony Restaurant, Second Floor of Tower Building
Ancestor Square, 2 West St. George Blvd.

7:00	Dinner Provided	
	Call to Order	Lynn Lemon
	Review of Board Members Absent	Lynn Lemon
	Approval of October 20 Meeting Minutes	Lynn Lemon

ITEM INFORMATION

1	Building Agreement Between UAC and UCIP	Camille Cain Karl Hendrickson
2	Nominating Committee Report	Kay Blackwell
3	Chief Executive Officer's Report	Lester Nixon
4	Annual Membership Meeting Assignments	Sonya White

ACTION

5	Approve Contract Between PEHP and UCIP—Administrative Services	Kent Sundberg
6	Approve Joint Policy Board Travel Expenses	Lynn Lemon
7	Approve UCIP Committee Members	Lester Nixon
8	Approve 2006 Reinsurance Contracts	Lester Nixon
9	Set Date and Time for Closed Meeting to Discuss Pending or Reasonably Imminent Litigation	
10	Action on Litigation Matters	Kent Sundberg
11	Set Date and Time for Closed Meeting to Discuss Character, Professional Competence, Physical/Mental Health of an Individual	
12	Ratification and Approval of Payments and Credit Card Transactions	Gene Roundy

	Schedule Coverage Agreement Review Committee Meeting	Ken Bischoff
	Other Business	



Utah Counties Insurance Pool
Serving Counties Since 1992

BOARD OF TRUSTEES MEETING

MINUTES

November 10, 2005, 7:00 p.m.
Painted Pony Restaurant, St. George, UT

BOARD MEMBERS PRESENT

Lynn Lemon, *Vice President*, Cache County Executive
Gene Roundy, *Secretary-Treasurer*, Iron County Commissioner
Steve Baker, Davis County Personnel Director
Ken Bischoff, Weber County Commissioner
Kay Blackwell, Piute County Commissioner
Jim Eardley, Washington County Commissioner
Ira Hatch, Emery County Commissioner
Ed Phillips, Millard County Sheriff
Kent Sundberg, Utah County Deputy Attorney
Steve Wall, Sevier County Clerk-Auditor

BOARD MEMBERS ABSENT

Dan McConkie, *President*, Davis County Commissioner
Jerry Grover, Utah County Commissioner

MEMBERS PRESENT

Camille Cain, Weber County Commissioner
Bill Cox, Rich County Commissioner
Camille Moore, Garfield County Clerk-Auditor

OTHERS PRESENT

Lester Nixon, Chief Executive Officer
Mark Brady, Loss Control Manager
Sonya White, Manager of Administration
Karl Hendrickson, UAC General Council
Trudy Stauffer, Alternative Service Concepts Claims Adjuster

Call to Order

Following dinner, Lynn Lemon called the meeting of the Utah Counties Insurance Pool Board of Trustees to order at 8:00 p.m. on November 10, 2005 and welcomed those in attendance.

Review of Board Members Absent

Dan McConkie requested to be excused from this meeting due to his attendance at an out-of-state National Association of Counties meeting. Jerry Grover requested to be excused from this meeting due to a family commitment. Steve Wall made a motion to excuse Dan McConkie and Jerry Grover from this meeting. Ken Bischoff seconded the motion, which passed unanimously.

Approval of October 20 Meeting Minutes

The minutes of the Board of Trustees meeting held October 20, 2005 were previously sent to the Board of Trustees for review. Steve Wall recommended that paragraph five on page two under the Chief Executive Officer's Report read: *A reinsurance recoverable of \$376,416 will decrease the total incurred amount of \$630,000 listed for Box Elder County.* On page three of the Approve Amended Joint Policy Board Travel Expenses, Steve recommended that the following sentence read: *In the first*

instance, if Trustees receive expense reimbursement from the original scheduler or from their county, UCIP would be billed only for incidentals incurred by for the UCIP meeting. Steve Wall made a motion to approve the October 20 meeting minutes as corrected. Gene Roundy seconded the motion, which passed unanimously.

Nominating Committee Report

Kay Blackwell reported that the Nominating Committee met telephonically and discussed the sixteen nominations made by members for the three available Trustee positions. The Committee selected the following names to be placed on the December 1 Membership Meeting ballot: Gene Roundy and Suzanne Rees (Third Class County Representative); Val Draper, Robert Pero and Steve Wall (Fourth Class County Representative); and Reed Hatch, Chad Johnson and Karla Johnson (At Large Representative). Kay Blackwell made a motion to approve the nominations selected by the Nominating Committee for election at the December 1 Membership Meeting. Jim Eardley seconded the motion, which passed unanimously.

Chief Executive Officer's Report

Lester Nixon reported that the contract between Utah Counties Insurance Pool (UCIP) and Public Employees Health Program (PEHP) is 95% complete and will be finalized next week and presented to the Board at its December 15 meeting. The UCIP Benefits Pool will begin January 1, 2006 with five counties (400 employees). Staff anticipates having 15 counties (1500 employees) by this time next year. PEHP is working with staff to get everyone enrolled and trained on time. PEHP will handle some enrollment services and marketing for a fee of \$3.00 per employee. This cooperative effort with PEHP is a good way to start the Benefits Pool. Lester anticipates that within three years the Benefits Pool will be able to reimburse the Multiline Pool for the feasibility study costs.

Lester Nixon announced that the State Tax Commission has refunded \$35,000 of the Workers' Compensation Pool's Self-Insured Tax.

Annual Membership Meeting Assignments

Sonya White reviewed the agenda for the December 1 Annual Membership Meeting with the Board (see attachment #1). Dan McConkie and Lynn Lemon will be at a National Association of Counties meeting that day and will be unable to attend. Gene Roundy will conduct the meeting and offer the Officer's Address for Dan. Steve Wall will offer the Audit Committee Report for Lynn. The Board agreed with their assignments and will be prepared for the meeting.

Approve Contract between PEHP and UCIP for Administrative Services

Kent Sundberg requested this item to be stricken. The contract will be finalized and presented to the Board at its December 15 meeting.

Building Agreement between UAC and UCIP

Camille Cain explained to the Board that since April, when Lester Nixon provided the Utah Association of Counties (UAC) with proposed options for the building, there have been many discussions in an effort to resolve this issue for the benefit of both UAC and UCIP. The UAC Board wants to be fair and equitable to UCIP regarding the building. The appraisal on the building took much longer than UAC had anticipated. Incorrect information was provided to the appraiser so, when the initial appraisal came back, it had to be corrected. The final appraisal was received last Friday [November 4] and a copy can be provided to UCIP on Tuesday [November 15].

Karl Hendrickson explained that the UAC Board directed him to research the history, financial statements and assumptions made on equity for the building (see attachment #2). The building was originally financed for \$1,710,000 and the final building cost was approximately \$1,886,000. UAC originally contributed \$175,851 for cost overruns. The current fair market value of the building and vacant land is \$1,790,000 (95% of the original cost value). Art Partridge, Washington County Assessor, has provided his written opinion on UCIP's request to condominiumize the building (see attachment #3). Condominiumizing will negatively affect the value of the upper floor and lower floor of the building. Karl explained his calculations of equity by using the current market value and the amount of debt retired and the relative contributions of UAC and UCIP with UAC receiving additional

credit for its initial contribution (reference page 2 of attachment #2). Karl reviewed the refinancing options available to UAC. UAC can afford to refinance if a tax exempt debt were issued. If a commercial mortgage were obtained, it would only make sense if UCIP left the building. Finally, Karl presented two options to the UCIP Board for consideration: 1) transfer the vacant lot to UCIP and give UAC sole possession of the building; and 2) UAC to buy out UCIP's interest in the building in an amount of \$143,658. Based on Karl's reconstruction from past UAC minutes he provided the Board with an equity spreadsheet (see attachment #4). Utah Association of Counties Insurance Mutual (UACIM) Director, Brett Rich, was quoted in past documents as saying that UACIM was paying, with no intent to earn equity. If UCIP has documentation to the contrary it should be provided to Karl.

Mark Brady inquired about UAC's review of the condominium arrangement. Camille Cain explained that for a long-term arrangement an owner must be able to sell their property. Shared space, dividing assets, lower investment value, right of first refusal, etc., really won't work in the best interest of either party. Karl said that both parties serve elected officials but UAC's family is different than UCIP's family in that Salt Lake and Summit Counties are not members of UCIP and they are members of UAC. Most critical is what is done with the asset. Camille can appreciate the frustration and feels this issue has festered for quite awhile but explained that UAC has tried its hardest to provide these two options and is willing to hear UCIP's questions and concerns and looks forward to a response to these options. Lynn Lemon asked that if UCIP were to move, is UAC in a position to pay out the equity? Ken Bischoff suggested that UAC could sell the vacant lot for cash. Karl explained that because of the bond the vacant lot can't be sold to get cash. The Board thanked Camille and Karl for their presentation and the rest of the UAC Executive Committee for attending. The options presented will be considered. UAC representatives excused themselves from the remainder of the meeting.

Approve Joint Policy Board Travel Expenses

The Board considered the proposed changes to the Joint Policy Board Travel Expenses presented at the October 20 meeting. Gene Roundy made a motion to strike proposed paragraph three from the amended Joint Policy Board Travel Expenses. Steve Wall seconded the motion, which passed unanimously. Kay Blackwell made a motion to approve the Joint Policy Board Travel Expenses as corrected and amended. Ken Bischoff seconded the motion, which passed unanimously.

Approve UCIP Committee Members

Lester Nixon reviewed the Committee Membership listing with the Board (see attachment #5). Brock Belnap is proposed to replace Wally Lee on the Litigation Management Committee and several County Personnel Directors have been added to the Personnel Committee (who will also serve as the Benefits Pool Steering Committee) in an effort to have each county represented. Steve Wall made a motion to approve the Litigation Management and Personnel Committee Members as listed. Steve Baker seconded the motion, which passed unanimously.

Approve 2006 Reinsurance Contracts

Lester Nixon explained that the Lloyd's of London property reinsurance contract will not be available until December. Initial indications are coming in at a 10% increase. The additional \$50,000 added to member premiums will cover a 10% increase. The liability and workers' compensation renewal contracts, from County Reinsurance Limited, are expected within the next 10 days. The crime coverage renewal proposal is at \$2,000 less than last year. All the contracts will be presented to the Board at its December 15 meeting.

Set Date and Time for Closed Meeting

Kent Sundberg made a motion to strike the agenda item to set the date and time for a closed meeting to discuss pending or reasonably imminent litigation. Jim Eardley seconded the motion, which passed unanimously.

Action on Litigation Matters

Kent Sundberg made a motion to strike the agenda item for action on litigation matters. Jim Eardley seconded the motion, which passed unanimously.

Set Date and Time for Closed Meeting

Ken Bischoff made a motion to set the date and time of a closed meeting to discuss the character, professional competence, physical/mental health of an individual for November 10, 2005 at 9:25 p.m. Kay Blackwell seconded the motion, which passed unanimously.

Jim Eardley made a motion to conclude the closed meeting to discuss the character, professional competence, physical/mental health of an individual on November 10, 2005 at 9:35 p.m. Ed Phillips seconded the motion, which passed unanimously.

Jim Eardley made a motion to approve Lester Nixon's compensation recommendation. Ken Bischoff seconded the motion, which passed unanimously.

Ratification and Approval of Payments

Gene Roundy reviewed the payments previously made, the payments to be made (see attachment #6) and the credit card transactions with the Board. Ken Bischoff made a motion to approve the payments previously made, the payments to be made and the credit card transactions as reported. Steve Baker seconded the motion, which passed unanimously.

Schedule Coverage Agreement Review Committee Meeting

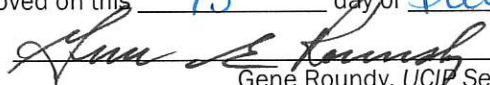
Ken Bischoff explained that County Reinsurance Limited has recommended changes to the Coverage Agreement for the 2006 policy year. Lester Nixon will draft these recommendations and Sonya White will contact the Committee Members with a scheduled meeting date.

Building Agreement between UAC and UCIP

Kent Sundberg reopened the discussion on the building to establish how the Board wants to proceed. Kent does not agree with the equity calculation of \$143,658. Lester Nixon had reservations regarding the equity spreadsheet wherein UCIP was not given credit for the first two years of the bond. The budgets were co-mingled and UCIP was charged for equity and interest. Lynn Lemon asked, should UCIP move next door to UAC or find a property to lease? Lester explained that the vacant lot is a half acre, not enough for a building, and the parking lot arrangement would still have to be negotiated. Gene Roundy was hoping that UAC and UCIP could stay together. Kent explained that UCIP's condominium arrangement proposal was better than undivided interest and it would have kept the two together but UAC does not want a condominium arrangement. Depending on what the Board wants, as far as space (offices, training room, conference room), it may be in the best interest of the Board to lease space for a year or two while searching for a building to purchase. The Board directed Lester to research and confirm the equity calculation and provide the Board with rental space options at its December 15 meeting.

Other Business

The Next meeting of the Board of Trustees is scheduled for December 15 at 10:00 a.m. at Cabela's.

Approved on this 15 day of December 2005

Gene Roundy, UCIP Secretary-Treasurer

NOMINATIONS
2006 Board of Trustees

<u>Representing</u>	<u>Name</u>	<u>Class</u>	<u>County</u>	<u>Office</u>
Third	Gene Roundy	Third	Iron	Commissioner
One Position	Suzanne Rees	Third	Box Elder	Commissioner
Fourth	Steve Wall	Fourth	Sevier	Clerk-Auditor
One Position	Val Draper	Fourth	Wasatch	Council Member
	Robert Pero	Fourth	Carbon	Clerk-Auditor
At Large	Reed Hatch	Fourth	Sanpete	Recorder
	Chad Johnson	Fifth	Beaver	Commissioner
	Karla Johnson	Fifth	Kane	Clerk-Auditor



Utah Counties Insurance Pool

Covering Utah's Counties

ANNUAL MEETING of the MEMBERS

December 1, 2005 11:30a-4:00p
Thanksgiving Point
3003 N. Thanksgiving Way, Lehi, UT

LUNCH

11:30-12:30 Rose Room

Guest Speaker: Dean Cox, Emergency Services Director, *"What a Year in Washington County"*

AGENDA

12:30-4:00 Amber Room

Call to Order	Welcome	2 min	Lynn Lemon
	Member Roll Call	5 min	Jerry Grover
	Introduction of Trustees and Staff		
Action	Approval of December 2004 Minutes	3 min	Lynn Lemon
	Approval of 2006 Budgets	10 min	Gene Roundy
	Approval of Amended Bylaws	10 min	Steve Wall
Elections	Introduction of Trustee Nominations	15 min	Kay Blackwell
	Speeches by Nominees		
	Ballot Election for 2006 Board of Trustees		
Reports	County Reinsurance Limited Executive Director's	15 min	Phil Bell
	Audit Committee	10 min	Lynn Lemon
	Law Enforcement Committee	5 min	Ed Phillips
	Litigation Management Committee	10 min	Kent Sundberg
	Personnel Committee	10 min	Steve Baker
	Break	15 min	
	Loss Control Manager's	10 min	Mark Brady
	Workers' Compensation Safety Specialist's	10 min	Brody Parker
	Multiline Claims Manager's	10 min	Korby Siggard
	Chief Executive Officer's	15 min	Lester Nixon
	Officer's	10 min	Lynn Lemon
Information	Review of Member Powers	3 min	Ken Bischoff
Wrap-Up	Outstanding Achievements Awards	10 min	Ira Hatch
	Election Results	5 min	Jim Eardley
	Adjournment	2 min	Gene Roundy

NORTH AMERICAN MUSEUM OF ANCIENT LIFE

4:00-8:00 Dinosaur Museum

Memorandum

TO: Camille Cain, Brent Gardner, Karl Hendrickson, Kelly Wright

FROM: Art Partridge

DATE: November 3, 2005

RE: UAC/UCIP Building issues

I have been asked to review and comment on some alternative proposed methods of sharing ownership of the UAC building and property. In addition, I was asked to reviewed the appraisal of the property done by the LECG Appraisal Company. Unfortunately I will be out of town during our upcoming conference in St. George. I hope this memorandum will be of assistance to you.

A. THE BUILDING APPRAISAL

I have reviewed the appraisal of the property. I would offer these comments:

1. As directed the appraiser attempted to value the building as though it would be a condominium with shared ownership between UAC and UCIP. Each organization would have an area of exclusive use and share designated common areas. The actual ownership of each organization would be represented as a percentage (undivided) ownership of the whole.
2. In as much as most the basement area of the building is not presently finished the appraiser based his value conclusions on two hypothetical office condominiums after proposed renovations have been completed.
3. I have had some difficulty in reconciling the square footage the appraiser has allocated to each of the proposed owners. This of course has a significant impact on the allocation of value and the percentage of ownership allocated to each owner. I have measured the building and find that the main floor consists of 8,460 square feet. I have not deducted any area from the main floor for the atrium which after renovation would be usable area. The basement area appears to consist of 6,975 square feet.
4. I would suggest that the appraiser review my estimates and adjust his appraisal accordingly, if necessary. It would appear that this adjustment in the areas of the building may have an impact on his final estimate of value.
5. My cursory review of the market and income analysis and the selection of comparable properties appears to be well done and appropriate for the subject property. It would appear that if the square footage of the building is properly allocated the value per square foot as determined by the appraiser would be appropriate and a reasonable estimate fair market value of the interests as proposed in the property.

B. THE PROPOSED DIVISION OF THE BUILDING

My thoughts on the proposed division of the building. I am concerned about attempts to divide the building between two owners. Either through condominiumizing the building or dividing it by floors (divided interests) with UAC owning the upper floor and UCIP owning the lower floor. The building was originally designed for a single occupant. The building does not lend itself to be divided by two different entities. I am concerned that any such division will negatively effect the value of both portions of the building. Neither space will be desirable should either owner, in the future, decide to sell their portion of the property I believe the value will be significantly impaired. What is now a very desirable building and would be easily marketable when divided would not be attractive to most buyers in the future. Thus the value of both ownerships would be reduced.

I would strongly recommend an alternative method of sharing the property be considered, that is construct a new building for UCIP on the adjacent property to the south. This likely would require sharing the parking lot between the two buildings but I believe this is a far better solution than any attempt to share ownership of the existing building.

I hope these thoughts will be of use to you in your discussions of how to resolve the property issue with UCIP. During the conference or the Board of Directors Meeting if you should wish to further discuss the matter with me I will likely be available on my cell phone (435-632-7233) please don't hesitate to call.

Good Luck,

Art Partridge

MEMORANDUM

TO: CAMILLE CAIN, ART PARTRIDGE, KELLY WRIGHT, BRENT GARDNER

FROM: KARL HENDRICKSON

DATE: 5 NOVEMBER 2005

RE: UCIP-UAC BUILDING ISSUES

A. BUILDING FINANCIALS

1. **OUTSTANDING PRINCIPAL.** Principal payments on the building were back loaded. None of the payments applied to the outstanding principal until 1999 (i.e. 1997-1998 were interest only). \$330,000 of the principal is not retired until year 15 of the bond issue (2012). The building was originally financed through the issuance of certificates of participation in the principal amount of \$1, 710,000. To date, \$610,000 has been paid toward principal. There remains \$1.100,000 outstanding which needs to be refinanced if we change the legal ownership interests in the building.

2. **UAC ORIGINAL CONTRIBUTION.** UAC originally contributed \$175,851.08 as a "down payment". This was not an equity payment which reduced the amount financed, but rather served to capitalize the debt service reserve fund (\$169,851+/-) and pay miscellaneous expenses. The project ran into cost overruns and the funds were withdrawn from the debt service reserve fund and used to pay construction expenses. Zions Bank issued a letter of credit in the amount of \$171,000 to satisfy the debt service reserve fund requirement. Thus, even though the entire \$1,710,000 was financed, UAC still contributed \$175,851.08 in cash to the final building cost of approximately \$1.886 million.

3. **CURRENT FAIR MARKET VALUE.** The original cost to construct the UAC facility was \$1, 885,851. The current fair market value of the facility, per the UAC commissioned appraisal dated as of Sept. 7, 2005, is \$1,790,000. The main floor value is \$1,285,000, the basement value is \$280,000, and the vacant land value is \$225,000. The total current value is approximately ninety-five percent (95%) of the original cost value.

B. CALCULATION OF EQUITY

There are two different concepts involved in this. The first is the relative equity of the parties in the realty (this includes the building, the underlying land, and the lot which was included in the pledged land) at its current market value. The second is merely a derived mathematical calculation based on the amount of debt retired and the relative contributions of the parties with UAC receiving additional credit for its initial contribution. The former can be calculated by using 95% of the derived calculation.

1. DEBT SERVICE PAID

- a. TOTAL DEBT SERVICE PAID—\$1,258,178.22
- b. UCIP Total UCIP debt service payments of \$311,961
(24.79%)
- c. UAC Total UAC debt service payments of \$946,216
(75.21%)—Total UAC contribution \$1,122,068

2. EQUITY (BASED ON \$610,000 DEBT REDUCTION)

- a. UCIP— \$151,219
- b. UAC— \$458,781

3. EQUITY (BASED ON DEBT REDUCTION AND INITIAL CONTRIBUTION)

- a. UCIP— \$151,219 (19.24%)
- b. UAC— \$634,632 (80.76%)

4. EQUITY (BASED ON CURRENT FAIR MARKET VALUE)

- a. UCIP—\$143,658
- b. UAC— \$602,900

C. REFINANCING CONSIDERATIONS

\$1,100,000 remains outstanding of the original debt issue. This could be refinanced in one of two ways. If tax exempt debt were issued, the annual payment would be reduced from approx. \$184,000 to approx. \$110,000. If UAC retained sole possession of the building, it would be obligated for this amount for an additional fifteen (15) year term. If possession of the building was shared, UAC would be obligated for its proportionate share (approx. 55%).

If a commercial mortgage was obtained (this would allow leasing of the lower floor to a for profit entity), the interest rate would be approximately 1.5% to 2% higher. For a fifteen year term, this would result in an annual payment of approx. \$115,000. Commercial financing would not make sense unless UCIP left the building and we needed to expand leasing options.

OPTIONS FOR CONSIDERATION

A. TRANSFER THE VACANT LOT TO UCIP AND GIVE UAC SOLE POSSESSION OF THE BUILDING

Assuming a value of \$225,000 for the lot, this would require a payment from UCIP to UAC. At an equity calculation based on the current fair market value this would necessitate a payment from UCIP to UAC of approximately \$81,300. This would likely also require UCIP to acquire from UAC rights to common use of the parking. This alternative has the benefit of not subdividing a building which is inherently difficult to divide in a rational fashion (see Art Partridge memo)

B. BUY OUT UCIP'S INTEREST IN THE BUILDING

This would require a payment to UCIP of its equity in the building. This should be calculated based on the current fair market value of the property and would be \$143,658.

DEBT SERVICE AND PRINCIPAL PAID BY UCIP ON UAC BUILDING

YEAR	PRINCIPAL	INTEREST	FEES	AMOUNT
1997				
1998				
1999				0
2000				0
2001	23000	29408.7	-9.88	52398.82
2002	25500	27937.12	71.77	53508.89
2003	34200	33408.65	138.9	67747.55
2004	38000	31260.7	120.64	69381.34
2005	39900	28873.35	151.86	68925.21
2006				
Total	160600	150888.52	473.29	311961.81

DEBT SERVICES AND PRINCIPAL PAID BY UAC ON UAC BUILDING

YEAR	PRINCIPAL	INTEREST	FEES	AMOUNT
1997				175851.08
1998				
1999	75000	106562.5	63.84	181626.34
2000	75000	102643.74	301.8	177945.54
2001	57000	68622.75	-25.62	125597.13
2002	59500	65186.63	167.46	124854.09
2003	55800	54508.85	226.63	110535.48
2004	62000	51004.3	196.83	113201.13
2005	65100	47109.15	247.78	112456.93
2006				
TOTAL	449400	495637.92	1178.72	1122067.72

*175,851.08 is UAC initial contribution to capitol for costs to construct.



Utah Counties Insurance Pool
Serving Counties Since 1992

JOINT POLICY BOARD TRAVEL EXPENSES

Article 5, Section 11, of the UCIP Bylaws states: "To the extent permitted by law, Trustees may be reimbursed for expenses incurred in the performance of their duties, as authorized by the Board."

BOARD TRAVEL EXPENSES

Members of the UCIP Board of Trustees (Board) will be reimbursed for reasonable and approved expenses incurred in attending Board meetings and in otherwise carrying out their responsibilities. UCIP will reimburse Trustees for travel by private vehicle at the rate currently allowed by the Internal Revenue Service, as well as for lodging and meals at actual cost, within the guidelines for travel and expense reimbursement adopted by the State of Utah Department of Finance.

Trustees who miss more than one-third of a meeting or retreat must be excused by the Board of Trustees in order to be reimbursed for expenses.

From time to time, UCIP may schedule Board of Trustees meetings to coincide with other meetings at which some or all Trustees may be in attendance, and other organizations may take advantage of UCIP scheduled meetings. In the first instance, if Trustees receive expense reimbursement from the original scheduler or from their county, UCIP would be billed only for incidentals incurred by the UCIP meeting. In the second instance, UCIP would reimburse in the manner stated in this policy.

Trustees may attend up to two of the three following annual out-of-state trainings: the AGRIP Spring Conference, PRIMA National Conference, and the AGRIP Fall Governance Conference. UCIP will directly pay registration, airfare and hotel expenses for Trustees arranging travel through the UCIP office. Receipts for meals, lodging, parking, airfare, and other reimbursable expenses are required. A written statement by the Trustee will be required in place of a lost receipt. The Board may also by resolution designate other training as appropriate and reimbursable for Trustees.

Expenses for spouses who accompany Trustees to UCIP meetings or to approved out-of-state training are the responsibility of the Trustee. UCIP will invoice Trustees for any spouse expenses paid by UCIP. However, there will be no charge for spouses attending the UCIP Annual Membership meeting functions and at business meals hosted by the Chief Executive Officer.

TIMELINESS

Requests for reimbursement shall be submitted within 60 days of completion of trip.

Adopted 06/03/04



LOSS PREVENTION COMMITTEES

ADVISORY

CONSTITUTED 6/13/97

- Suzanne Rees, Box Elder County Commissioner
- Maloy Dodds, Garfield County Commissioner
- Robert Steele, Juab County Commissioner
- Norman Weston, Rich County Commissioner
- Gary Mason, Sevier County Commissioner
- Scott Durfey, Wayne County Commissioner

AUDIT

CONSTITUTED 12/21/95

- Lynn Lemon, *Chair*, Cache County Executive
- Kent Sundberg, Utah County Deputy Attorney
- Steve Wall, Sevier County Clerk-Auditor

BENEFITS POOL PLANNING

CONSTITUTED 02/17/05

- Steve Baker, Davis County Personnel Director
- Lynn Lemon, Cache County Executive
- Kent Sundberg, Utah County Deputy Attorney

BUILDING

CONSTITUTED

- Jim Eardley, Washington County Commissioner
- Lynn Lemon, Cache County Executive
- Ed Phillips, Millard County Sheriff
- Kent Sundberg, Utah County Deputy Attorney
- Steve Wall, Sevier County Clerk-Auditor

BYLAWS

CONSTITUTED

- Kay Blackwell, *Chair*, Piute County Commissioner
- Steve Baker, Davis County Personnel Director
- Jim Eardley, Washington County Commissioner
- Ira Hatch, Emery County Commissioner
- Steve Wall, Sevier County Clerk-Auditor

COVERAGE AGREEMENT REVIEW

CONSTITUTED 12/21/95

- Ken Bischoff, *Chair*, Weber County Commissioner
- Jerry Grover, Utah County Commissioner
- Kent Sundberg, Utah County Deputy Attorney

LAW ENFORCEMENT

CONSTITUTED 2/20/92

- Ed Phillips, *Chair*, Millard County Sheriff
- James Cordova, Carbon County Sheriff
- Bud Cox, Davis County Sheriff
- Leon Jensen, Box Elder County Sheriff
- Alden Orme, Juab County Sheriff
- Brad Slater, Weber County Sheriff
- Kirk Smith, Washington County Sheriff

LITIGATION MANAGEMENT

CONSTITUTED 2/20/92

- Kent Sundberg, *Chair*, Utah County Deputy Attorney
- Doug Ahlstrom, Tooele County Attorney
- Brock Belnap, Washington County Attorney
- David Blackwell, Emery County Attorney
- LeRay Jackson, Millard County Attorney
- Gary O. McKean, Davis County Deputy Attorney
- Dave Wilson, Weber County Deputy Attorney
- Lester Nixon, UCIP Director
- Mark Brady, UCIP Loss Control Manager
- Korby Siggard, UCIP Claims Manager

NOMINATING

CONSTITUTED 06/27/02

- Dan McConkie, *Chair*, Davis County Commissioner
- Kay Blackwell, Piute County Commissioner
- Jim Eardley, Washington County Commissioner

PERSONNEL

CONSTITUTED 6/18/92

- Steve Baker, *Chair*, Davis County Personnel Director
- Pam Ayala, Tooele County Human Resources Director
- Paul Barton, Beaver County Clerk-Auditor
- Walter Bird, San Juan County Human Resource Director
- Valeen Brown, Piute County Clerk-Auditor
- Diana Carroll, Grand County Deputy Clerk-Auditor
- Brad Dee, Weber County Human Resources Director
- Brandy Grace, Millard County Auditor
- Karen Glazier, Kane County Human Resources
- Lana Jensen, Utah County Personnel Director
- Christene Keene, Iron County Chief Deputy Auditor
- Mary Huntington, Emery County Personnel
- Peggy Madsen, Box Elder County Personnel Director
- Carrie Mascaro, Duchesne County Personnel
- Joe McKea, Uintah County HR Director/Risk Manager
- Camille Moore, Garfield County Clerk-Auditor
- Eileen Nelson, Morgan County Personnel
- Ilene Roth, Sanpete County Auditor
- David Rowley, Wasatch County Human Resources
- Mike Seely, Juab County Administrator
- Jim Smith, Cache County Personnel Director
- Ryan Torgerson, Wayne County Clerk-Auditor
- Steve Wall, Sevier County Clerk-Auditor
- RaNae Wilde, Daggett County Auditor-Recorder
- John Willie, Washington County Administrator
- David Yardley, Iron County Clerk

November 2 - November 10, 2005

TOTAL

Sonya White

From: Sonya White
Sent: Wednesday, November 02, 2005 5:14 PM
To: 'Camille Cain'
Cc: Lester Nixon; 'dan@co.davis.ut.us'; 'karl@uacnet.org'
Subject: Dinner/Board of Trustees Meeting Invitation

Camille:

We realize how busy you will be during the UAC Conference and sincerely appreciate you and Karl taking the time to update the UCIP Board. There is no rush that night (the Board will be meeting from 7:00-10:00 p.m.). You and Karl are welcome to stay the entire meeting or just enjoy a meal, provide the update and then enjoy the rest of your evening.

Thank you and please let me know if you need my assistance prior to the meeting.

Sonya

-----Original Message-----

From: Camille Cain [mailto:ccain@co.weber.ut.us]
Sent: Wednesday, November 02, 2005 4:49 PM
To: Sonya White
Cc: Karl Hendrickson
Subject: RE: Dinner/Board of Trustees Meeting Invitation

Sonya,

Thank you for the invitation. I believe you are all aware that the UAC Board of Directors meeting will be on Wednesday evening. At that time we will report to the board the results of the appraisal and our proposal options that we would like to present to UCIP. Assuming the board votes to allow that proposal to go forward, Karl Hendrickson and I can attend your meeting and report to your board. (My husband is not going to be in St. George.) Karl has been very helpful in researching and writing our proposal, and I would appreciate having him with me to assist in answering any questions. If you believe this meets your desired outcome, we will be happy to attend as soon as we can get away from the President's Reception. I'll wait to hear from you. Thanks, Camille

From: Sonya White [mailto:sonya@ucip.utah.gov]
Sent: Tuesday, November 01, 2005 4:26 PM
To: Camille Cain
Cc: dan@co.davis.ut.us
Subject: Dinner/Board of Trustees Meeting Invitation

Commissioner Cain:

The UCIP Board of Trustees and staff would like to invite you and your spouse to dinner following your UAC President's Reception on Thursday, November 10, 7:00 p.m. at the Painted Pony. Since the UAC Board of Directors will be meeting on Wednesday, November 9, we have tentatively listed you (first) on our Board Meeting Agenda in hopes you can offer an update on the Building Agreement between UAC and UCIP (see attached agenda).

Please reply if you are able to attend and provide a report or let me know if someone else from the UAC Executive Committee will be able to attend/report.

11/2/2005

10-505

Randel Richards
— private room 20

Nov. 10 7:00-10:00

48 hr. final count
(less than 20
avg meal prize paid)

desserts

chocolate mocha layer cake
with warm chocolate sauce

white chocolate banana bread pudding

white chocolate blueberry cheesecake tower

seasonal vanilla bean crème brûlée

additional house-made specialties daily

all desserts \$7



Exceptional wine list available on request
Utah State Liquor Licensee

House-made Specialty Desserts

Reservations Recommended
(435) 634-1700

PATIO DINING AVAILABLE
Special Events and Parties

www.painted-pony.com

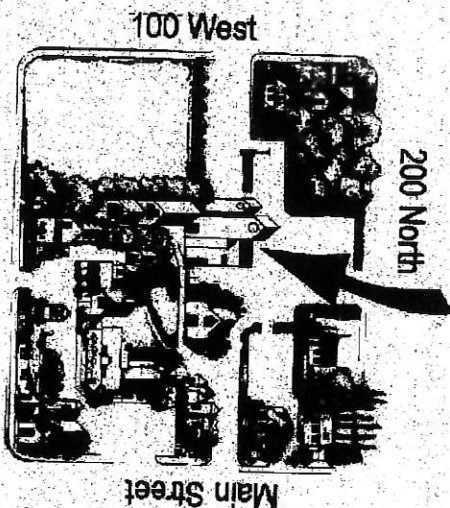
Painted Pony

Restaurant

I-15 to Exit 8

Follow St. George Blvd west to
Main Street & Ancestor Square

Located on 2nd floor of Tower Bldg.
In the back parking lot of Ancestor Square
Handicap ramp located on NW Corner of Tower



St. George Blvd

"Best Restaurant in Southern Utah"
Salt Lake Magazine 2005

"A jewel in the desert"
Zagat's 2002

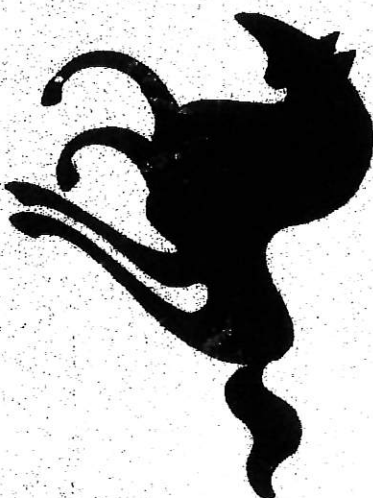
"A food find in St. George"
Salt Lake Tribune

"The Painted Pony brings a touch of class...
and intriguing flavors to St. George"
Salt Lake Magazine

"Best dining in Southern Utah"
2002, 2003 and 2004
St. George Magazine

Painted Pony

Restaurant



Contemporary American Cuisine
Casual Elegance

Open for lunch and dinner

Monday – Saturday
11:30 am - 10:00 pm

SUNDAYS 4pm-9pm

Located in the Tower Bldg. at
Ancestor Square
Downtown St George
2 West St George Blvd.
St George, Utah 84770

(435) 634-1700

Sample Menu

appetizers

(served lunch and dinner)

pony surf & turf cured salmon
and tenderloin tips \$11

sage smoked quail apricot glaze,
mushroom risotto, creamed spinach \$12

pan seared crab cakes avocado relish,
red pepper sauce \$11

coconut shrimp mango chili sauce,
asian cabbage slaw \$10

grilled artichoke
with drawn butter and aioli \$10
(seasonal)

phyllo baked brie blackberry compote,
roasted garlic \$10

prosciutto wrapped melon
balsamic reduction, stilton \$10

salads

(served lunch and dinner)

mixed greens toasted walnuts, apples,
bleu cheese, balsamic vinaigrette \$5

baby spinach salad pears, goat cheese,
candied pecans, bacon vinaigrette \$8

pony caesar garlic croutons, parmesan water \$7

iceberg wedge tomatoes, croutons,
bleu cheese dressing \$5

lunch

sandwiches

bbq pulled pork sandwich poblano aioli,
grilled red onions \$8

corned beef reuben sauerkraut, swiss cheese,
thousand island, on rye \$8

grilled tenderloin burger melted bleu cheese,
tomatoes, lettuce, red onion, poblano aioli \$8

herb marinated chicken sandwich
avocado, pepperjack, lettuce and tomato \$8

grilled portobello mushroom sandwich
provolone avocado, lettuce, tomato, poblano aioli \$7

house smoked turkey club bacon, avocado,
lettuce, tomato, dark wheat roll \$8

italian ham sandwich prosciutto, sweet roasted red
peppers, red onion, provolone \$8

All sandwiches available as a wrap for carb-conscious alternative

lunch salads

chicken avocado tostada black beans, tomatoes,
cucumber, tomato, ranch dressing \$8

pan seared ahi tuna mango, avocado, greens,
wonton wafers, asian dressing \$10

cobb salad spring mix, chicken, bacon, avocado, egg,
black olives, tomatoes, bleu cheese \$9

asian chicken salad water chestnuts, oranges,
sesame chicken, peanut lime dressing \$9

entrees

oven roasted meatloaf rosemary whipped
potatoes, green beans, port wine mushroom sauce \$9

chicken quesadilla house smoked andouille
sausage, pepper-jack \$8

bowtie pasta tomato basil sauce, parmesan \$10

dinner

pesto stuffed chicken breast
stuffed squash blossoms, roasted tomato
pan sauce \$22

sesame crusted escalar
sweet potato green onion hash, cilantro,
and ginger sauce \$26

baby back ribs
squash ribbons, creamed corn,
grilled melon \$22

grilled ribeye
stilton blue, ruby port sauce, and sautéed
seasonal vegetables \$25

pan roasted rack of lamb
mint sauce, parsnip-potato gratin,
sautéed vegetables \$25

seared ahi tuna
pan-fried soba noodles, wasabi aioli,
orange-mango sauce \$22

grilled tenderloin steak
rosemary whipped potatoes, shiitake demi,
asparagus \$26 *petite portion* \$22

almond crusted salmon
bok choy, mushroom broth, asian black bean
sauce, cucumber noodles \$21

butternut squash ravioli
chardonnay cream, and mushroom ragout
\$18

wine list available

*we support local organic gardeners
18% gratuity added for parties of eight or more,*



AFFIDAVIT OF DAN McCONKIE

STATE OF UTAH)
 :SS
COUNTY OF SALT LAKE)

Dan McConkie, being duly sworn upon oath, deposes and says:

1. That the affiant has personal knowledge of the matters hereinafter referred to in this Affidavit.


2. That the Affiant, on or about the 10 day of November, 2005, presided over a meeting of the Utah Counties Insurance Pool Board of Trustees, an open and public meeting within the provisions of Chapter 4, Title 52, Utah Code Annotated, 1953, as amended.

3. That a quorum of the Utah Counties Insurance Pool Board of Trustees was present and at least two-thirds of the members present, voted to close the meeting pursuant to the provisions of Section 52-4-4, Utah Code Annotated, 1953, as amended, for the purpose of discussing the character, professional competence, or physical or mental health of an individual.


4. That the affiant was present throughout the meeting and, pursuant to the provisions of Section 52-4-7.5, the affiant does hereby affirm that the sole purpose for closing the meeting was to discuss the character, professional competence, or physical or mental health of an individual or individuals.

FURTHER, Affiant saith not.

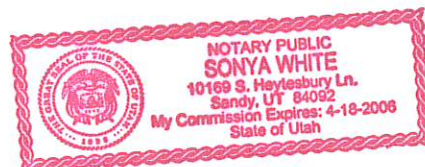
DATED this 10 day of November, 2005.


DAN McCONKIE, President
Utah Counties Insurance Pool

On the 10 day of Nov 2005, personally appeared before me Dan McConkie, who, after being by me duly sworn, deposed and said that the information contained in the above and foregoing Affidavit is true and correct.



NOTARY PUBLIC
Residing at: Sandy UT
My Commission Expires: 4-18-06





Board Meeting @ Painted Pony St. George 2005...Verbatim

Camille Cain:

We appreciate the opportunity to break bread with the board. Since Lester contacted me with the suggestions..... funded by the interest in the building...we have also had discussion and the many hours of work of how we can help out so it can benefit both parties. I think the two major rolls that I had and that Lester and I discussed to be fair and equitable methodology and secondly to try to resolve this so that in 2 years or 5 years we are not worrying about it again. So thinking about that one of the things that we don't need to do is.....that took much longer than we expected it too. Unfortunately when we got the information initially there were a number of things that were incorrect in it and we had to have some corrections made to it and we just got it back this last Friday finally corrected. We can provide you a copy of that. We didn't bring one tonight because we didn't think of it in time... and I apologize for that but we can get it to you on Tuesday when we get back to the office. I am going to have Karl talk through and put together numbers and he's got a handout for you so you can see it and he will talk through the whole thing with you...

Karl:

Part of what the board has asked me to do is go through basically the history and look at the financials because as Lester's first request came to condo the building. That involved us looking at the building physically as well as the financial structure. There are assumptions I think that we all made about principle and equity that we had I am afraid that is probably not well founded. This building when it was financed all principle payments were back loaded essentially. \$330,000 and 1.7M doesn't get paid until the very last year of the bond so the \$865,000 totally half of that original amount does not get paid until the last 3 or 4 years. The total principle reduction you see at the bottom through this year \$610,000 that was out of the original construction cost of about 1.8M. The 4.7M was financed and one of the conditions for the financing is that the UAC had to kick in 10% down that... went into debt service reserve fund so it would be available to make the final payment. Because of the cost governments..... that was pulled out of the debt service reserve fund and was put in to building cost. So UAC had an additional upfront contribution of that amount but it also means that there is not money other than doubling up the payments to make the last payment in the final year. The other thing that was important to find out was not what the equity is but the current term market value the building is. We hired **Phil Kurtz** firm, I don't know if any of you have dealt with Phil. Phil is a very good in land appraiser we have used him in the Salt Lake County on 200-300M plants our partners felt very good about him. Unfortunate thing is that the building is worth less now than when it was built. In going over that with the appraiser it appears that class "B" offices in suburban settings particular when they are isolated outside the office parks have suffered decreased rental in time and that the building is worth about 95% of the originally construction cost at this point in time. That includes the vacant

land that was included as part of the collateral. Both Art as well as I went over the appraisal we looked at the rentals we looked at the adjustments we looked at the costs. We think that part of it is fairly solid we don't have any reason to dispute the loss value. The other thing we looked at is pretty clear when you look at the appraisal as the highest and best use of the property is as a further occupied office park and we given you Arts minimal at that. Art has serious concerns that I think other appraisers that we talk too have shared that if we condo this we may ultimately reducing the value and both ends suffering because of the condo. Not to rule that option out but that is one of the factors we really considered. The next thing we looked at is how much has been paid and that is on the second sheet of my memo. The total debt service has been roughly about 1.26M and we have attached a spread sheet showing how we got the numbers with respect to debt service that is the single sheet. No one made any debt service payments in the first two years, any principle payments of the first two year of this bond. So the first two years were interest only. I kind of walk through there and paid what in terms by our calculations; it is paid what with respect to this and calculated really two ways. One, based on \$610,000 debt reduction just on the payments that have been made and under three, is equity based on things paid what with regarding to debt reduction including adding to that original contribution of UAC to be \$175,800. Then finally I have done an equity calculation based upon the lower fair market value, so it is about 95 percent of the figures you find from number three. Obviously as we look to refinance this penalty prior to 08. UAC can probably afford refinancing based upon what Bronson telling me if we refinance with tax exempt refinancing that it would take the debt service payment down about \$110,000 a year. I chatted with Lester part way through this about the notion of undivided interest. And we also looked at condoning it. This is a tough building to condo you start looking at that main floor and how you try to divide it up for purposes and having secure space for each side that works well. You got originally calculated the training room and 3 or 4 bathrooms going into common area that is a work for UAC because we end up with something on our floors with no bathrooms that own it is kind of tough to sell under those circumstances. And additionally if you carve that out you leave the stairs, the elevator, it really leaves it unsecured unless we significantly reconstruct that main floor in terms where Debbie sits ... using the space. The board looked at that last night they thought that ultimately that if we condo it we both will end up with something that will probably depreciate the value quicker than anything else. I know that Lester said you could talk about.....those are great things you count on a marriage to last forever but you get into medical claims business... one or the other of us needs space this could be very difficult and whether condo's or other private interests for one or the other party to get out of and preserve their investment. As we talked with the board last night, they finally came down to they thought perhaps two most realistic option to deal with the lot adjacent to build a half acre. I think depending on what you want to do regarding a training room and large meeting room. We could probably work out something with comp use of parking so that you could have parking rights to take you to about the level that you would need for a building permission with Murray .That is something that we could work through in regards to that, the lot is worth \$125,000. We could talk about what you go through equity payments numbers if you find things that don't seem to make sense with you, we can talk about that. I have given roughly what it is in respect to the numbers I have put together. The other options we have look at I

respect to thiscurrently I think the board would like to have you folks as close as possible because it is desirable to have people come to meetings in both places without having to travel too far with the county building walking back and forth through the parking lot. I don't know what works for you...

Second Tape

Comments and Questions:

C: To be realistic about it we are out in the cold.

Karl:you are welcome to go through our analysis and our appraisal.

Q: Does your equity include the Insurance Mutual and UCIP or is it just since the time it has been UCIP. I am trying to determine what that has been based on.

Karl: It goes back too; we took all the things by the Insurance Mutual and UCIP. There is a question about the first two years. The reason I say that is that I found documents in the old UACIM files where Brent and Brett having discussions whether you want equity position or to just continue to pay rent and the response from Brett was to continue to pay rent. But it is clear in 2000 that you all talked about this and the boards talked about it and said that you wanted equity so I have clearly referred to everything from that point forward those are the number and those are the things we are looking ...

Karl: The condo arrangement was to go forward...

C: Bathrooms downstairs and not bathrooms upstairs.

Camille: Long term arrangement...the more we share the less you will get. Market value... we are open to suggestions.

C: Somewhere in my mind I thought we owned somewhere between 40 to 50% of the building.

C: Board is going to take this under advisement and talk about it at the next meeting.

C: Under a lease agreement it is a very expensive lease

Q: If UCIP was to move is UAC in a position to pay the equity?

Karl: I appreciate your....

MEMORANDUM

TO: CAMILLE CAIN, ART PARTRIDGE, KELLY WRIGHT, BRENT GARDNER
FROM: KARL HENDRICKSON
DATE: 5 NOVEMBER 2005

RE: UCIP-UAC BUILDING ISSUES

A. BUILDING FINANCIALS

1. OUTSTANDING PRINCIPAL. Principal payments on the building were back loaded. None of the payments applied to the outstanding principal until 1999 (i.e. 1997-1998 were interest only). \$330,000 of the principal is not retired until year 15 of the bond issue (2012). The building was originally financed through the issuance of certificates of participation in the principal amount of \$1, 710,000. To date, \$610,000 has been paid toward principal. There remains \$1,100,000 outstanding which needs to be refinanced if we change the legal ownership interests in the building.

2. UAC ORIGINAL CONTRIBUTION. UAC originally contributed \$175,851.08 as a "down payment". This was not an equity payment which reduced the amount financed, but rather served to capitalize the debt service reserve fund (\$169,851+/-) and pay miscellaneous expenses. The project ran into cost overruns and the funds were withdrawn from the debt service reserve fund and used to pay construction expenses. Zions Bank issued a letter of credit in the amount of \$171,000 to satisfy the debt service reserve fund requirement. Thus, even though the entire \$1,710,000 was financed, UAC still contributed \$175,851.08 in cash to the final building cost of approximately \$1.886 million.

3. CURRENT FAIR MARKET VALUE. The original cost to construct the UAC facility was \$1, 885,851. The current fair market value of the facility, per the UAC commissioned appraisal dated as of Sept. 7, 2005, is \$1,790,000. The main floor value is \$1,285,000, the basement value is \$280,000, and the vacant land value is \$225,000. The total current value is approximately ninety-five percent (95%) of the original cost value.

B. CALCULATION OF EQUITY

There are two different concepts involved in this. The first is the relative equity of the parties in the realty (this includes the building, the underlying land, and the lot which was included in the pledged land) at its current market value. The second is merely a derived mathematical calculation based on the amount of debt retired and the relative contributions of the parties with UAC receiving additional credit for its initial contribution. The former can be calculated by using 95% of the derived calculation.

1. DEBT SERVICE PAID

- a. TOTAL DEBT SERVICE PAID—\$1,258,178.22
- b. UCIP Total UCIP debt service payments of \$311,961
(24.79%)
- c. UAC Total UAC debt service payments of \$946,216
(75.21%)—Total UAC contribution \$1,122,068

2. EQUITY (BASED ON \$610,000 DEBT REDUCTION)

- a. UCIP— \$151,219
- b. UAC— \$458,781

3. EQUITY (BASED ON DEBT REDUCTION AND INITIAL CONTRIBUTION)

- a. UCIP— \$151,219 (19.24%)
- b. UAC— \$634,632 (80.76%)

4. EQUITY (BASED ON CURRENT FAIR MARKET VALUE)

- a.. UCIP—\$143,658
- b. UAC— \$602,900

C. REFINANCING CONSIDERATIONS

\$1,100,000 remains outstanding of the original debt issue. This could be refinanced in one of two ways. If tax exempt debt were issued, the annual payment would be reduced from approx. \$184,000 to approx. \$110,000. If UAC retained sole possession of the building, it would be obligated for this amount for an additional fifteen (15) year term. If possession of the building was shared, UAC would be obligated for its proportionate share (approx. 55%).

If a commercial mortgage was obtained (this would allow leasing of the lower floor to a for profit entity), the interest rate would be approximately 1.5% to 2% higher. For a fifteen year term, this would result in an annual payment of approx. \$115,000. Commercial financing would not make sense unless UCIP left the building and we needed to expand leasing options.

OPTIONS FOR CONSIDERATION

A. TRANSFER THE VACANT LOT TO UCIP AND GIVE UAC SOLE POSSESSION OF THE BUILDING

Assuming a value of \$225,000 for the lot, this would require a payment from UCIP to UAC. At an equity calculation based on the current fair market value this would necessitate a payment from UCIP to UAC of approximately \$81,300. This would likely also require UCIP to acquire from UAC rights to common use of the parking. This alternative has the benefit of not subdividing a building which is inherently difficult to divide in a rational fashion (see Art Partridge memo)

B. BUY OUT UCIP'S INTEREST IN THE BUILDING

This would require a payment to UCIP of its equity in the building. This should be calculated based on the current fair market value of the property and would be \$143,658.

Memorandum

TO: Camille Cain, Brent Gardner, Karl Hendrickson, Kelly Wright

FROM: Art Partridge

DATE: November 3, 2005

RE: UAC/UCIP Building issues

I have been asked to review and comment on some alternative proposed methods of sharing ownership of the UAC building and property. In addition, I was asked to reviewed the appraisal of the property done by the LECG Appraisal Company. Unfortunately I will be out of town during our upcoming conference in St. George. I hope this memorandum will be of assistance to you.

A. THE BUILDING APPRAISAL

I have reviewed the appraisal of the property. I would offer these comments:

1. As directed the appraiser attempted to value the building as though it would be a condominium with shared ownership between UAC and UCIP. Each organization would have an area of exclusive use and share designated common areas. The actual ownership of each organization would be represented as a percentage (undivided) ownership of the whole.
2. In as much as most the basement area of the building is not presently finished the appraiser based his value conclusions on two hypothetical office condominiums after proposed renovations have been completed.
3. I have had some difficulty in reconciling the square footage the appraiser has allocated to each of the proposed owners. This of course has a significant impact on the allocation of value and the percentage of ownership allocated to each owner. I have measured the building and find that the main floor consists of 8,460 square feet. I have not deducted any area from the main floor for the atrium which after renovation would be usable area. The basement area appears to consist of 6,975 square feet.
4. I would suggest that the appraiser review my estimates and adjust his appraisal accordingly, if necessary. It would appear that this adjustment in the areas of the building may have an impact on his final estimate of value.
5. My cursory review of the market and income analysis and the selection of comparable properties appears to be well done and appropriate for the subject property. It would appear that if the square footage of the building is properly allocated the value per square foot as determined by the appraiser would be appropriate and a reasonable estimate fair market value of the interests as proposed in the property.

B. THE PROPOSED DIVISION OF THE BUILDING

My thoughts on the proposed division of the building. I am concerned about attempts to divide the building between two owners. Either through condominiumizing the building or dividing it by floors (divided interests) with UAC owning the upper floor and UCIP owning the lower floor. The building was originally designed for a single occupant. The building does not lend itself to be divided by two different entities. I am concerned that any such division will negatively effect the value of both portions of the building. Neither space will be desirable should either owner, in the future, decide to sell their portion of the property I believe the value will be significantly impaired. What is now a very desirable building and would be easily marketable when divided would not be attractive to most buyers in the future. Thus the value of both ownerships would be reduced.

I would strongly recommend an alternative method of sharing the property be considered, that is construct a new building for UCIP on the adjacent property to the south. This likely would require sharing the parking lot between the two buildings but I believe this is a far better solution than any attempt to share ownership of the existing building.

I hope these thoughts will be of use to you in your discussions of how to resolve the property issue with UCIP. During the conference or the Board of Directors Meeting if you should wish to further discuss the matter with me I will likely be available on my cell phone (435-632-7233) please don't hesitate to call.

Good Luck,

Art Partridge

DEBT SERVICE AND PRINCIPAL PAID BY UCIP ON UAC BUILDING

YEAR	PRINCIPAL	INTEREST	FEES	AMOUNT
1997				
1998				
1999				0
2000				0
2001	23000	29408.7	-9.88	52398.82
2002	25500	27937.12	71.77	53508.89
2003	34200	33408.65	138.9	67747.55
2004	38000	31260.7	120.64	69381.34
2005	39900	28873.35	151.86	68925.21
2006				
Total	160600	150888.52	473.29	311961.81

DEBT SERVICES AND PRINCIPAL PAID BY UAC ON UAC BUILDING

YEAR	PRINCIPAL	INTEREST	FEES	AMOUNT
1997				175851.08
1998				
1999	75000	106562.5	63.84	181626.34
2000	75000	102643.74	301.8	177945.54
2001	57000	68622.75	-25.62	125597.13
2002	59500	65186.63	167.46	124854.09
2003	55800	54508.85	226.63	110535.48
2004	62000	51004.3	196.83	113201.13
2005	65100	47109.15	247.78	112456.93
2006				
TOTAL	449400	495637.92	1178.72	1122067.72

*175,851.08 is UAC initial contribution to capitol for costs to construct.

